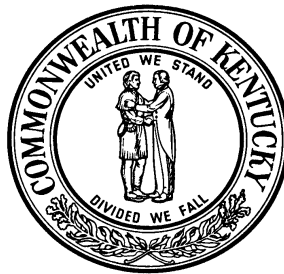


**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administrative Cabinet

Honorable Harold W. McKinney, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Boyle County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Pubic Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOYLE COUNTY FISCAL COURT

June 30, 2011

Tichenor & Associates, LLP, has completed the audit of the Boyle County Fiscal Court for fiscal year ended June 30, 2011.

We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Boyle County, Kentucky.

In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Boyle County's major federal program: Community Development Block Grant (CFDA #14.228).

Financial Condition:

The fiscal court had total net assets of \$15,508,535 as of June 30, 2011. The fiscal court had unrestricted net assets of \$3,574,707 in its governmental activities as of June 30, 2011, with total net assets for governmental activities of \$15,485,725. In its business-type activities, total net cash and cash equivalents were \$20,421 with total net assets of \$22,810. The fiscal court had total debt principal as of June 30, 2011, of \$3,172,768 with \$402,768 due within the next year.

Report Comment:

2011-01 The Fiscal Court Should Have Policies And Procedures In Place To Ensure That All Of The County's Capital Assets Are Included In The County's Capital Asset Schedules

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Harold W. McKinney, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Harold W. McKinney, Boyle County Judge/Executive

Members of the Boyle County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2012 on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comment:

2011-01 The Fiscal Court Should Have Policies And Procedures In Place To Ensure That All Of The County's Capital Assets Are Included In The County's Capital Asset Schedules

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

March 2, 2012

BOYLE COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Harold W. McKinney	County Judge/Executive
Donnie Coffman	Magistrate
Phillip Sammons	Magistrate
Jack Hendricks	Magistrate
John Caywood	Magistrate
Patty Burke	Magistrate
Mickey Harmon	Magistrate

Other Elected Officials:

Richard Campbell, Jr.	County Attorney
Barry Harmon	Jailer
Trille Bottom	County Clerk
Joni Terry	Circuit Court Clerk
Marty Elliott	Sheriff
Eddie Tamme	Property Valuation Administrator
Donald Hamner	Coroner

Appointed Personnel:

Mary C. Conley	County Treasurer
Marcia Pierce	Occupational Tax Collector
Gail Bowling	Finance Officer
Lisa Maples	Payroll Officer
Duane Campbell	Road Supervisor
Lennie Shepperson	911 Administrator/EMA Coordinator
Melissa Jones	Jail Office Manager
Brad Ellis	Emergency Medical Service Director
Donna Fechter	Solid Waste Coordinator

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BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,888,983	\$ 20,421	\$ 4,909,404
Total Current Assets	4,888,983	20,421	4,909,404
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	2,392,983		2,392,983
Buildings and Improvements	5,603,137		5,603,137
Machinery and Equipment	1,513,073		1,513,073
Vehicles	801,791	2,389	804,180
Infrastructure	3,458,526		3,458,526
Total Noncurrent Assets	13,769,510	2,389	13,771,899
Total Assets	18,658,493	22,810	18,681,303
LIABILITIES			
Current Liabilities:			
Bonds Payable	350,000		350,000
Financing Obligations Payable	52,768		52,768
Total Current Liabilities	402,768		402,768
Noncurrent Liabilities:			
Bonds Payable	2,770,000		2,770,000
Total Noncurrent Liabilities	2,770,000		2,770,000
Total Liabilities	3,172,768		3,172,768
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,596,742	2,389	10,599,131
Restricted For:			
Health Insurance Benefits	552,632		552,632
Other Purposes	761,644		761,644
Unrestricted	3,574,707	20,421	3,595,128
Total Net Assets	\$ 15,485,725	\$ 22,810	\$ 15,508,535

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,959,542	\$ 242,255	\$ 16,740	\$
Protection to Persons and Property	4,660,032	2,419,328	1,647,000	
General Health and Sanitation	2,120,892	171,812	170,667	930,308
Social Services	88,500			
Recreation and Culture	266,608			
Transportation Facilities and Services	12,979			
Roads	902,217		852,421	340,395
Airports	18,150			
Interest On Long-term Debt	112,718			
Capital Projects	359,946			
Total Governmental Activities	11,501,584	2,833,395	2,686,828	1,270,703
Business-type Activities:				
Jail Canteen	162,984	160,500		
Total Business-type Activities	162,984	160,500		
Total Primary Government	\$ 11,664,568	\$ 2,993,895	\$ 2,686,828	\$ 1,270,703

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Net Profit Taxes
Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,700,547)	\$	\$ (2,700,547)
(593,704)		(593,704)
(848,105)		(848,105)
(88,500)		(88,500)
(266,608)		(266,608)
(12,979)		(12,979)
290,599		290,599
(18,150)		(18,150)
(112,718)		(112,718)
(359,946)		(359,946)
(4,710,658)		(4,710,658)
	(2,484)	(2,484)
	(2,484)	(2,484)
(4,710,658)	(2,484)	(4,713,142)
802,178		802,178
94,405		94,405
96,569		96,569
3,464,832		3,464,832
440,374		440,374
325,286		325,286
306,528		306,528
319,822		319,822
62,449		62,449
5,912,443		5,912,443
1,201,785	(2,484)	1,199,301
14,283,940	25,294	14,309,234
\$ 15,485,725	\$ 22,810	\$ 15,508,535

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Joint Jail Fund</u>	<u>General Obligation Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 3,349,438	\$ 127,504	\$ 148,623	\$
Total Assets	<u>3,349,438</u>	<u>127,504</u>	<u>148,623</u>	<u></u>
FUND BALANCES				
Restricted For:				
Protection to Persons and Property	11,009			
General Health and Sanitation	38,521			
Recreation and Culture				
Roads		81,990		
Committed To:				
Roads				
Unassigned	<u>3,299,908</u>	<u>45,514</u>	<u>148,623</u>	
Total Fund Balances	<u>\$ 3,349,438</u>	<u>\$ 127,504</u>	<u>\$ 148,623</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011
(Continued)

Emergency 911 Fund	Non- Major Funds	Total Governmental Funds
<u>\$ 559,097</u>	<u>\$ 151,689</u>	<u>\$ 4,336,351</u>
<u>559,097</u>	<u>151,689</u>	<u>4,336,351</u>

559,097		570,106
		38,521
	20,247	20,247
	50,780	132,770
	49,286	49,286
	31,376	3,525,421
<u>\$ 559,097</u>	<u>\$ 151,689</u>	<u>\$ 4,336,351</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 4,336,351
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,996,082
Accumulated Depreciation	(8,226,572)
Internal Service Fund is used by management to charge the cost of health insurance to individual funds. The assets and liabilities are included in governmental activities on the Statement of Net Assets.	552,632
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(52,768)
Bonds	<u>(3,120,000)</u>
Net Assets Of Governmental Activities	<u>\$ 15,485,725</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	General Fund	Road Fund	Joint Jail Fund	General Obligation Fund
REVENUES				
Taxes	\$ 5,139,694	\$	\$	\$
Excess Fees	306,528			
Licenses and Permits	29,693			
Intergovernmental	466,254	1,154,796	2,006,539	
Charges for Services	1,271,525		144,551	
Miscellaneous	762,170	13,791	134,031	
Interest	53,923	2,191	281	
Total Revenues	<u>8,029,787</u>	<u>1,170,778</u>	<u>2,285,402</u>	
EXPENDITURES				
General Government	2,171,038			
Protection to Persons and Property	1,555,087		2,116,361	
General Health and Sanitation	1,191,353	6,874		
Social Services	88,500			
Recreation and Culture	266,608			
Transportation Facilities and Services		12,979		
Roads		616,155		
Airports	18,150			
Debt Service:				
Principal	122,556			340,000
Interest	4,795			107,923
Capital Projects	123,300	236,646		
Administration	810,110	242,749	766,101	
Total Expenditures	<u>6,351,497</u>	<u>1,115,403</u>	<u>2,882,462</u>	<u>447,923</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,678,290</u>	<u>55,375</u>	<u>(597,060)</u>	<u>(447,923)</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(1,116,547)		(373,657)	
Transfers From Other Funds			1,042,281	447,923
Total Other Financing Sources (Uses)	<u>(1,116,547)</u>		<u>668,624</u>	<u>447,923</u>
Net Change in Fund Balances	561,743	55,375	71,564	
Fund Balances - Beginning (Restated)	2,787,695	72,129	77,059	
Fund Balances - Ending	<u>\$ 3,349,438</u>	<u>\$ 127,504</u>	<u>\$ 148,623</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Emergency 911 Fund	Non- Major Funds	Total Governmental Funds
\$ 65,653	\$	\$ 5,205,347
		306,528
		29,693
133,259	1,012,334	4,773,182
		1,416,076
102		910,094
5,978	76	62,449
<u>204,992</u>	<u>1,012,410</u>	<u>12,703,369</u>
		2,171,038
122,646		3,794,094
	930,308	2,128,535
		88,500
		266,608
		12,979
	54,933	671,088
		18,150
		462,556
		112,718
		359,946
		1,818,960
<u>122,646</u>	<u>985,241</u>	<u>11,905,172</u>
<u>82,346</u>	<u>27,169</u>	<u>798,197</u>
		(1,490,204)
		<u>1,490,204</u>
82,346	27,169	798,197
476,751	124,520	3,538,154
<u>\$ 559,097</u>	<u>\$ 151,689</u>	<u>\$ 4,336,351</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 798,197
<p>Amounts reported for governmental activities in the Statement of Activities are different because governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	696,971
Depreciation Expense	(901,539)
Assets disposed of, net book value	(11,947)
Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.	157,547
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.</p>	
Financing Obligation Payments	122,556
Bond Payments	340,000
Change in Net Assets of Governmental Activities	<u><u>\$ 1,201,785</u></u>

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BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 20,421	\$ 552,632
Total Current Assets	<u>20,421</u>	<u>552,632</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles	19,893	
Less Accumulated Depreciation	<u>(17,504)</u>	
Total Noncurrent Assets	<u>2,389</u>	
Total Assets	<u>22,810</u>	<u>552,632</u>
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	2,389	
Restricted		552,632
Unrestricted	<u>20,421</u>	
Total Net Assets	<u>\$ 22,810</u>	<u>\$ 552,632</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Operating Revenues		
Canteen Receipts	\$ 160,500	\$
Premiums		1,369,831
Refunds/Reimbursements		67,914
Total Operating Revenues	<u>160,500</u>	<u>1,437,745</u>
Operating Expenses		
Cost of Sales	123,480	
Educational and Recreational	6,223	
Personnel Costs	13,547	
Depreciation	2,366	
Miscellaneous	17,368	
Claims Paid		973,084
Administration Fees		308,146
Total Operating Expenses	<u>162,984</u>	<u>1,281,230</u>
Operating Income (Loss)	<u>(2,484)</u>	<u>156,515</u>
Nonoperating Revenues (Expenses)		
Interest Income		1,032
Total Nonoperating Revenues		<u>1,032</u>
(Expenses)		<u>1,032</u>
Change In Net Assets	(2,484)	157,547
Total Net Assets - Beginning	<u>25,294</u>	<u>395,085</u>
Total Net Assets - Ending	<u>\$ 22,810</u>	<u>\$ 552,632</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Health Insurance Fund
Cash Flows From Operating Activities		
Cash Receipts From Customers	\$ 160,500	\$
Cash Receipts For Premiums		1,369,831
Cash Receipts For Refunds/Reimbursements		67,914
Cash Payments To Vendors For Goods And Services	(129,703)	
Cash Payments For Personnel Costs	(13,547)	
Cash Payments For Miscellaneous	(17,368)	
Cash Payments For Claims		(973,084)
Cash Payments For Administrative Fees		(308,146)
Net Cash Provided (Used) By		
Operating Activities	<u>(118)</u>	<u>156,515</u>
Cash Flows From Investing Activities		
Interest Earned		<u>1,032</u>
Net Cash Provided By		
Investing Activities		<u>1,032</u>
Net Increase (Decrease) in Cash and Cash		
Equivalents	(118)	157,547
Cash and Cash Equivalents - July 1	<u>20,539</u>	<u>395,085</u>
Cash and Cash Equivalents - June 30	<u>\$ 20,421</u>	<u>\$ 552,632</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund	Health Insurance Fund
Operating Income (Loss)	\$ (2,484)	\$ 156,515
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities		
Depreciation Expense	<u>2,366</u>	<u></u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (118)</u>	<u>\$ 156,515</u>

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Cash and Cash Equivalents	<u>\$ 83,084</u>
Total Assets	<u>83,084</u>
Liabilities	
Amounts Held In Custody For Others	<u>83,084</u>
Total Liabilities	<u><u>\$ 83,084</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Boyle County Public Properties Corporation

The Boyle County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Boyle County Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. The Fiscal Court is able to impose its will on the Corporation, as the Corporation was created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the construction of the county jail building. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Boyle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boyle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government - wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Joint Jail Fund - The primary purpose of this fund is to account for the jail expenses of Boyle and Mercer counties. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

General Obligation Fund - This is for the accumulation of resources for, and the payment of general long-term debt principal and interest associated with the construction of the government services center, which consists of the regional jail facility and emergency medical and road maintenance facilities. The Department for Local Government does not require the fiscal court to report or budget these funds.

Emergency 911 Fund - This fund is used to support the operation of the County's emergency operations communications. The fund is supported in whole by land line and cellular telephone fees paid monthly by consumers.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, and CDBG Fund.

Special Revenue Funds:

The Road Fund, Joint Jail Fund, Emergency 911 Fund, Local Government Economic Assistance Fund, State Grant Fund, and CDBG Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Fund:

The General Obligation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Enterprise Fund

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Fund

Health Insurance Fund - This fund accounts for goods or services provided by one governmental department or agency to another. The Health Insurance Fund of the Fiscal Court is reported as an internal service fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 7,500	10-45
Buildings and Building Improvements	\$ 20,000	10-60
Machinery and Equipment	\$ 1,000	3-20
Vehicles	\$ 1,000	3-12
Infrastructure	\$ 5,000	10-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the County issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the County has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require the General Obligation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the Fiscal Court does not approve the expenses made from these funds.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered a related organization of Boyle County Fiscal Court: Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Boyle County Fiscal Court: Parks and Recreation, Danville-Boyle County Economic Development Partnership, Inc., the Danville-Boyle County Airport Board, and the Danville-Boyle County Planning and Zoning Commission.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 834,752	\$	\$	\$ 834,752
Total Capital Assets Not Being Depreciated	834,752			834,752
Capital Assets, Being Depreciated:				
Land Improvements	2,060,920	123,300		2,184,220
Buildings and Improvements	8,599,012			8,599,012
Machinery and Equipment	3,163,575	181,539	(21,030)	3,324,084
Vehicles	1,841,814	100,383	(12,000)	1,930,197
Infrastructure	4,832,068	291,749		5,123,817
Total Capital Assets Being Depreciated	20,497,389	696,971	(33,030)	21,161,330
Less Accumulated Depreciation For:				
Land Improvements	(553,844)	(72,145)		(625,989)
Buildings and Improvements	(2,831,518)	(164,357)		(2,995,875)
Machinery and Equipment	(1,580,793)	(247,016)	16,798	(1,811,011)
Vehicles	(842,207)	(290,484)	4,285	(1,128,406)
Infrastructure	(1,537,754)	(127,537)		(1,665,291)
Total Accumulated Depreciation	(7,346,116)	(901,539)	21,083	(8,226,572)
Total Capital Assets, Being Depreciated, Net	13,151,273	(204,568)	(11,947)	12,934,758
Governmental Activities Capital Assets, Net	<u>\$ 13,986,025</u>	<u>\$ (204,568)</u>	<u>\$ (11,947)</u>	<u>\$ 13,769,510</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 19,893	\$	\$	\$ 19,893
Total Capital Assets Being Depreciated	19,893			19,893
Less Accumulated Depreciation For:				
Vehicles	(15,138)	(2,366)		(17,504)
Total Accumulated Depreciation	(15,138)	(2,366)		(17,504)
Total Capital Assets, Being Depreciated, Net	4,755	(2,366)		2,389
Business-Type Activities Capital Assets, Net	<u>\$ 4,755</u>	<u>\$ (2,366)</u>	<u>\$ 0</u>	<u>\$ 2,389</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 198,661
Protection to Persons and Property	347,496
General Health and Sanitation	52,066
Roads, Including Depreciation of General Infrastructure Assets	<u>303,316</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 901,539</u>

Business-Type Activities:

Jail Canteen	<u>\$ 2,366</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,366</u>

Note 4. Interfund Transfers

The table below shows the interfund transfers for fiscal year 2011.

<u>FUND</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$	\$ (1,116,547)
Joint Jail	1,042,281	(373,657)
General Obligation	<u>447,923</u>	
Totals	<u>\$ 1,490,204</u>	<u>\$ (1,490,204)</u>

Note 5. Long-term Debt

A. General Obligation Bonds - Series 2008

On March 11, 2008, the Boyle County Fiscal Court issued \$4,120,000 of General Obligation Bonds for the purpose of providing funds to refund and redeem the Lease Revenue Bonds, Series 1997 which were used to finance the costs of a government services center, consisting of a regional jail facility and emergency medical and road maintenance facilities. The refunding was carried out to achieve debt service savings and to remove certain encumbrances on the government services center. Principal payments are due annually on February 1, and interest, which varies from 3.00% to 3.25%, is payable semiannually on February 1 and August 1. The outstanding principal balance as of June 30, 2011 was \$3,120,000.

Call Provisions:

The 2008 series bonds maturing on or after February 1, 2019, are subject to redemption by the County, at its option (and upon its written discretion to the Trustee) prior to maturity on February 1, 2018 and on any date thereafter in whole, or from time to time, in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by the Trustee) at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-term Debt (Continued)

A. General Obligation Bonds - Series 2008 (Continued)

Future principal and interest requirements are:

	Fiscal Year Ended	
	June 30	Principal Interest
2012	\$ 350,000	\$ 97,723
2013	360,000	87,223
2014	370,000	76,423
2015	385,000	65,322
2016	395,000	53,387
2017-2019	<u>1,260,000</u>	<u>82,672</u>
Total	<u>\$ 3,120,000</u>	<u>\$ 462,750</u>

B. Ambulance

On February 20, 2009, the Boyle County Fiscal Court entered into a \$135,000 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 3.818% for a period of two years, with principal and interest paid monthly. The debt was fully paid in February 2011.

C. Ambulance

On March 15, 2010, the Boyle County Fiscal Court entered into a \$148,000 loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance, at an effective interest rate of 4.413% for a period of two years, with principal and interest paid monthly. The ending principal balance at June 30, 2011 was \$52,768.

Future principal and interest requirements are:

	Fiscal Year Ended	
	June 30	Principal Interest
2012	<u>\$ 52,768</u>	<u>\$ 1,012</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Long-Term Debt (Continued)

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,460,000	\$	\$ 340,000	\$ 3,120,000	\$ 350,000
Financing Obligations	175,324		122,556	52,768	52,768
Governmental Activities					
Long-term Liabilities	<u>\$ 3,635,324</u>	<u>\$ 0</u>	<u>\$ 462,556</u>	<u>\$ 3,172,768</u>	<u>\$ 402,768</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent.

The county's contribution for FY 2009 was \$490,902, FY 2010 was \$575,177, and FY 2011 was \$599,303.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Employee Retirement System (Continued)

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Boyle County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2011, Boyle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Health Insurance Fund

The Boyle County Health Insurance Fund provides health and dental insurance coverage to County employees. The County transfers from each fund (General, Road, and Joint Jail), the amount for a single policy for each employee who is eligible and elects to receive insurance coverage from the County. Any employee who selected a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from their paychecks. Premiums are determined by the County based upon recommendations submitted to them by the Treasurer.

Note 10. Prior Period Adjustment

The beginning balance of governmental activities has been restated by \$2,887,378 to include the net cost of certain capital assets that had been omitted in prior periods.

Note 11. Commitments

As of June 30, 2011, the Boyle County Fiscal Court had significant encumbrances in the following funds:

<u>Fund</u>	<u>Amount</u>
General	\$ 96,333
Road	9,862
Joint Jail	43,393

Note 12. Change in Accounting Principles

The Boyle County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds. The implementation also resulted in two funds previously presented as special revenue funds that no longer meet the definition as a special revenue fund and are now rolled into the General Fund. As a result, beginning fund balance for the General Fund has been increased by \$163,274 for the addition of the previously reported Boyle Jail and EMS special revenue funds.

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BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,830,000	\$ 4,830,000	\$ 5,139,694	\$ 309,694
Excess Fees	287,285	287,285	306,528	19,243
Licenses and Permits	26,900	26,900	29,693	2,793
Intergovernmental Revenue	361,025	361,025	446,874	85,849
Charges for Services	90,000	90,000	91,702	1,702
Miscellaneous	469,625	469,625	740,377	270,752
Interest	26,500	26,500	53,651	27,151
Total Revenues	6,091,335	6,091,335	6,808,519	717,184
EXPENDITURES				
General Government	2,298,885	2,343,330	2,171,038	172,292
Protection to Persons and Property	145,977	146,573	136,017	10,556
General Health and Sanitation	1,204,330	1,291,588	1,191,353	100,235
Social Services	88,500	88,500	88,500	
Recreation and Culture	273,100	271,297	266,608	4,689
Airports	18,150	18,150	18,150	
Debt Service	74,267	74,267		74,267
Capital Projects	60,000	123,300	123,300	
Administration	2,364,020	2,164,415	137,262	2,027,153
Total Expenditures	6,527,229	6,521,420	4,132,228	2,389,192
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(435,894)	(430,085)	2,676,291	3,106,376
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(2,150,886)	(2,150,886)	(2,081,547)	69,339
Transfers From Other Funds	100,000	100,000		(100,000)
Total Other Financing Sources (Uses)	(2,050,886)	(2,050,886)	(2,081,547)	(30,661)
Net Changes in Fund Balance	(2,486,780)	(2,480,971)	594,744	3,075,715
Fund Balance - Beginning	2,486,780	2,486,780	2,624,421	137,641
Fund Balance - Ending	\$ 0	\$ 5,809	\$ 3,219,165	\$ 3,213,356

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,144,900	\$ 1,144,900	\$ 1,154,796	\$ 9,896
Miscellaneous			13,791	13,791
Interest	1,500	1,500	2,191	691
Total Revenues	1,146,400	1,146,400	1,170,778	24,378
EXPENDITURES				
General Health and Sanitation		8,259	6,874	1,385
Transportation Facilities and Services	15,550	15,389	12,979	2,410
Roads	666,325	693,432	616,155	77,277
Capital Projects	250,000	250,000	236,646	13,354
Administration	307,433	272,228	242,749	29,479
Total Expenditures	1,239,308	1,239,308	1,115,403	123,905
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(92,908)	(92,908)	55,375	148,283
Net Changes in Fund Balance	(92,908)	(92,908)	55,375	148,283
Fund Balance - Beginning	92,908	92,908	72,129	(20,779)
Fund Balance - Ending	\$ 0	\$ 0	\$ 127,504	\$ 127,504

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

JOINT JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,958,185	\$ 1,958,185	\$ 2,006,539	\$ 48,354
Charges for Services	146,900	146,900	144,551	(2,349)
Miscellaneous	119,500	119,500	134,031	14,531
Interest	450	450	281	(169)
Total Revenues	<u>2,225,035</u>	<u>2,225,035</u>	<u>2,285,402</u>	<u>60,367</u>
EXPENDITURES				
Protection to Persons and Property	2,153,370	2,179,487	2,116,361	63,126
Debt Service	373,657	373,657		373,657
Administration	792,500	766,383	766,101	282
Total Expenditures	<u>3,319,527</u>	<u>3,319,527</u>	<u>2,882,462</u>	<u>437,065</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,094,492)</u>	<u>(1,094,492)</u>	<u>(597,060)</u>	<u>497,432</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(373,657)	(373,657)
Transfers From Other Funds	1,020,052	1,020,052	1,042,281	22,229
Total Other Financing Sources (Uses)	<u>1,020,052</u>	<u>1,020,052</u>	<u>668,624</u>	<u>(351,428)</u>
Net Changes in Fund Balance	(74,440)	(74,440)	71,564	146,004
Fund Balance - Beginning	<u>74,440</u>	<u>74,440</u>	<u>77,059</u>	<u>2,619</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,623</u>	<u>\$ 148,623</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

EMERGENCY 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 60,000	\$ 60,000	\$ 65,653	\$ 5,653
Intergovernmental Revenue	120,000	120,000	133,259	13,259
Miscellaneous			102	102
Interest	4,500	4,500	5,978	1,478
Total Revenues	184,500	184,500	204,992	20,492
EXPENDITURES				
Protection to Persons and Property	146,630	148,151	122,646	25,505
Administration	501,858	500,337		500,337
Total Expenditures	648,488	648,488	122,646	525,842
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(463,988)	(463,988)	82,346	546,334
Net Changes in Fund Balances	(463,988)	(463,988)	82,346	546,334
Fund Balances - Beginning	463,988	463,988	476,751	12,763
Fund Balances - Ending	\$ 0	\$ 0	\$ 559,097	\$ 559,097

BOYLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

General Fund:

Budgetary Basis - Revenues	\$ 6,808,519
Plus: Boyle Jail Fund Revenues	25,793
Plus: EMS Fund Revenues	1,195,475
Modified Cash Basis - Revenues	<u>\$ 8,029,787</u>

Budgetary Basis - Expenditures	\$ 4,132,228
Plus: Boyle Jail Fund Expenditures	185,369
Plus: EMS Fund Expenditures	2,033,900
Modified Cash Basis - Expenditures	<u>\$ 6,351,497</u>

Budgetary Basis - Ending Fund Balance	\$ 3,219,165
Plus: Boyle Jail Fund Balance	47,737
Plus: EMS Fund Balance	82,536
Modified Cash Basis - Fund Balance	<u>\$ 3,349,438</u>

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**BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2011

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	LGEA Fund	State Grant Fund	CDBG Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 131,442	\$ 20,247	\$	\$ 151,689
Total Assets	<u>131,442</u>	<u>20,247</u>		<u>151,689</u>
FUND BALANCES				
Restricted For:				
Recreation and Culture		20,247		20,247
Roads	50,780			50,780
Committed To:				
Roads	49,286			49,286
Unassigned	31,376			31,376
Total Fund Balances	<u>\$ 131,442</u>	<u>\$ 20,247</u>	<u>\$ 0</u>	<u>\$ 151,689</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011

BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	LGEA Fund	State Grant Fund	CDBG Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes				
Intergovernmental	\$ 82,026	\$	\$ 930,308	\$ 1,012,334
Interest	63	13		76
Total Revenues	<u>82,089</u>	<u>13</u>	<u>930,308</u>	<u>1,012,410</u>
EXPENDITURES				
General Health and Sanitation			930,308	930,308
Roads	54,933			54,933
Total Expenditures	<u>54,933</u>		<u>930,308</u>	<u>985,241</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>27,156</u>	<u>13</u>		<u>27,169</u>
Net Change in Fund Balances	27,156	13		27,169
Fund Balances - Beginning	104,286	20,234		124,520
Fund Balances - Ending	<u>\$ 131,442</u>	<u>\$ 20,247</u>	<u>\$ 0</u>	<u>\$ 151,689</u>

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2011

BOYLE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2011

Federal Grantor

Program Title

Grant Name (CFDA #)

Pass-Through

Grantor's Number

Expenditures

Cash Programs:

U.S. Department of Agriculture

Administered by the Natural Resources Conservation Service

American Recovery and Reinvestment Act -

Emergency Watershed Protection EWP Program

May 2010 Rain Event

(CFDA #10.923)

68-5C16-10-103

\$

6,874

U.S. Department of Homeland Security

Passed - Through State Department Of Military Affairs:

Disaster Grants - Public Assistance

May 2010 Rain Event

(CFDA #97.036)

FEMA-DR-1912-KY

21,332

Emergency Management Performance Grants

Support Emergency Planning and Preparedness

Preparedness Activities

(CFDA #97.042)

PON2 095-1100000669-1

24,166

Total U.S. Department of Homeland Security

45,498

U.S. Department of Housing and Urban Development

Passed - Through Kentucky Department for Local Government:

Community Development Block Grants

Phylben Village/Airport Road Sewer Project

(CFDA #14.228) ***

08-029

930,308

Total Cash Expenditures of Federal Awards

\$

982,680

*** Tested as a Major Program

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2011

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Boyle County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Boyle County Fiscal Court provided federal awards to the following subrecipient:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Community Development Block Grant	14.228	City of Danville	<u>\$ 930,308</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

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E-MAIL: wtichenor@tichenorassociates.com

The Honorable Harold W. McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 2, 2012. Boyle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Boyle County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Boyle County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyle County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Boyle County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2011-01 to be a material weakness.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyle County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Boyle County Judge/Executive's response to the finding identified in our audit is included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

March 2, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TICHENOR & ASSOCIATES, LLP
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The Honorable Harold W. McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Boyle County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Boyle County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Boyle County's management. Our responsibility is to express an opinion on Boyle County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyle County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boyle County's compliance with those requirements.

In our opinion, Boyle County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Boyle County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boyle County's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boyle County's internal control over compliance

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

March 2, 2012

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2011

**BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boyle County.
2. One material weakness related to the audit of the financial statements is reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Boyle County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Boyle County expresses an unqualified opinion.
6. There are no findings relative to the major federal awards programs for Boyle County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant (CFDA #14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Boyle County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None.

INTERNAL CONTROL - MATERIAL WEAKNESS

2011-01 The Fiscal Court Should Have Policies And Procedures In Place To Ensure That All Of The County's Capital Assets Are Included In The County's Capital Asset Schedules

During our review of capital assets, we noted that capital assets purchased in prior periods totaling \$4,038,705 were not included in the County's capital asset schedules until the current year. By not maintaining a complete and accurate list of capital assets, the risk increases that capital assets may not be insured or that the County pays insurance for assets they no longer own. In addition, strong internal controls over capital assets are necessary to ensure accurate financial reporting. The omission of these capital assets resulted in a \$2,887,378 material misstatement to the prior year's beginning net asset balance.

We recommend that the Fiscal Court have policies and procedures in place to ensure that all of the County's capital assets are properly included the County's capital asset schedules.

County Judge/Executive Harold W. McKinney's Response: The County Treasurer was the one who made the Auditors aware of the prior omitted capital assets. She felt the Fiscal Court's financial statement should be accurate and reflect total assets.

These capital assets primarily are land and buildings in Millennium Park. The expenditures were lump sum appropriations and federal grant funds.

Boyle County's contributions to Millennium Park ended approximately 2002. The audit requirement for the accounting of capital assets started 2004.

BOYLE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2011
(Continued)

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOYLE COUNTY FISCAL COURT

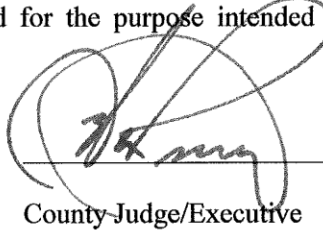
**For The Fiscal Year Ended
June 30, 2011**

Appendix A

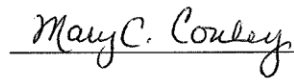
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

